

HOUSE RESEARCH

Bill Summary

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Authors: Garofalo and others

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Overview

Updates the definition of net income to conform to the change made by Public Law 112-240, "The American Taxpayer Relief Act of 2012," that made permanent the exclusion from gross income of employer-provided adoption assistance, effective retroactively to tax year 2013. Under current law the amount excluded at the federal level is subject to Minnesota state income tax.

Section

1 **Net income.** Conforms Minnesota's definition of net income for the individual income tax to the federal definition as revised by the provision of Public Law 112-240, "The American Taxpayer Relief Act of 2012," that made permanent the exclusion from gross income of employer-provided adoption assistance. The maximum exclusion allowed for federal purposes for tax year 2013 is \$12,970 per eligible child, and is phased out for modified adjusted gross income from \$194,580 to \$234,580. The exclusion amount and the start of the phaseout are adjusted annually for inflation.

Background. The Small Business Job Protection Act of 1996 (Public Law 104-188) provided an exclusion from gross income of the first \$5,000 of employer-provided adoption assistance (\$6,000 for special needs adoptions), and provided for the exclusion to phase out for taxpayers with modified adjusted gross incomes above \$75,000. The exclusion was allowed through tax year 2001. Laws 1997, Chapter 231, conformed Minnesota's income tax to the exclusion and other federal changes.

The Economic Growth and Tax Relief Reconciliation Act (Public Law 107-16) increased the maximum amount of employer provided assistance eligible for exclusion from taxable income from the \$5,000 allowed at the time to \$10,000. The Act also increased the income

Section

threshold for the phaseout of the exclusion from \$75,000 to \$150,000, and provided for the maximum amount of employer-provided assistance, and the income threshold for the phaseout of the exclusion to be adjusted annually for inflation, through tax year 2010. Laws 2001, First Special Session, Chapter 5, conformed Minnesota's income tax to the exclusion and other federal changes. The exclusion sunset after tax year 2010.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312) extended the increased adoption exclusion amount for two years, through tax year 2012. Laws 2011, First Special Session, Chapter 7, conformed Minnesota's income tax to the exclusion and to other federal changes for tax years 2011 and 2012.

Effective date: Retroactive to tax year 2013.